

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE COMPLAINT OF MR.)	
BRIAN H. McKEOWN AGAINST)	CASE NO. 8821
KENTUCKY UTILITIES COMPANY)	

O R D E R

On January 6, 1983, the Commission received a letter from Mr. Brian H. McKeown (Appendix A) in which he asked why Kentucky Utilities Company ("KU") bills an apartment building which he owns on the General Service rate ("GS") instead of the Residential rate ("RS"). KU, by letter received February 11, 1983, (Appendix B) asserted that the owner of the multi-residence building had an option, at the time of its construction, of installing one master meter and accepting service under the GS rate or installing individual meters and receiving service under the RS rate. The owner chose to install a master meter and accept the GS rate. KU stated that since the building was not wired for individual meters it could not qualify for the RS rate. In March of 1983 Mr. McKeown suggested that the KU tariff sheet No. 26 (Appendix C) provided an option for changing from a GS to an RS rate. KU, by letter received March 31, 1983, (Appendix D) denied that tariff sheet No. 26 applied to this and once again stated its opinion that the service could not be changed to the RS rate unless it was re-wired for individual meters.

The Commission, having considered the record and being advised, hereby ORDERS that this matter be and it hereby is set for hearing on June 3, 1983, at 9:00 a.m., Eastern Daylight Time, in the Commission's offices at Frankfort, Kentucky.

IT IS FURTHER ORDERED that KU shall appear at the hearing and present testimony relative to this matter.

Done at Frankfort, Kentucky, this 6th day of May, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

elw

Brian McKeown
1309 O South Ct.
Lexington, Kentucky 40503
Telephone 800-432-9285-Office
or 606-255-4473-Office
606-223-4651-Home

January 3, 1983

(APPENDIX "A")

Ms. Laura Murrell, Commissioner
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Dear Commissioner Murrell:

Almost by happenstance I have learned that tenants living in multiple unit apartment buildings, whose electricity usage is not monitored on individual meters, are charged higher rates, (seemingly because they are treated as "commercial" rather than "residential" customers), than those whose electricity usage is "separated" by individual meters.

As an owner of a twelve-unit apartment building, I periodically calculate the cost of utilities for each tenant and then include this amount in the rents. Because my building has only one "master" meter, the resultant electric bills, (which are then passed on to the tenants), are 20%-25% higher than if these same customers of Kentucky Utilities were on individual meters.

This travesty has been presented to the local Kentucky Utilities people, (who were cordial but adamant), who argue strongly that they "do not legislate, but only enforce the regulations". My argument was that if the regulation allowed one class of customers to pay a higher (substantially) rate for identical service than another group, the regulation was discriminatory and unfair, if not downright unconstitutional.

In my supreme naivete', I suggested (as a compromise) that all past overcharges be forgiven, and to begin 1983 with the appropriate "residential" rate. Kentucky Utilities declined.

If there were some logical reason for this rate disparity, this letter would have been unnecessary. (In fact, the

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total operating costs for Kentucky Utilities should be less, since they have to read only one meter and bill one party, while their transmission costs should be constant.)

Lastly, my tenants have been further discriminated against by application of the 5% Kentucky Sales Tax, whereas residential customers (as narrowly defined by Kentucky Utilities) are exempt from this tax (which, incidentally, is on top of the .0157 Lexington Franchise Tax and the approximate 3% School Tax).

Please advise at your earliest convenience whether you are in agreement with Kentucky Utilities' arbitrary view; and, if they are correctly applying the regulation as it is written, what action, if any, your commission is preparing in order to remedy an obvious inequity?

Sincerely,

Brian H. McKeown

Brian H. McKeown

BHM/lwg

KENTUCKY UTILITIES COMPANY

(APPENDIX "B")

ONE QUALITY STREET

LEXINGTON, KENTUCKY 40507

OFFICE OF VICE PRESIDENT

February 10, 1983

Mr. Claude G. Rhorer, Jr., Director
Division of Utility Engineering and Services
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

FEB 11 1983

RECEIVED & S...

Dear Mr. Rhorer:

This is in response to your letter of January 7, 1983, which forwarded a copy of a letter from Mr. Brian H. McKeown, 1309 Old South Court, Lexington, Kentucky, wherein he questions the application of our General Service rate to his master-metered, twelve-unit apartment building.

Apparently, Mr. McKeown is concerned about rate application to his apartment building located at 1874 Augusta Drive in Lexington. As specified in his letter of January 3, 1983 to Commissioner Murrell, this is a twelve-unit apartment building with a single meter.

Our recorded date of service to this building in Mr. McKeown's name is December 28, 1978. Since service was established prior to May 31, 1981, PSC Regulation 807 KAR 5:046 does not apply. This Regulation specifies that after May 31, 1981 all newly constructed buildings of this sort are to have individual meters for each dwelling unit.

The Company's Rules and Regulations, as filed and approved state that "When two or more rates are available for certain classes of service the conditions under which they are applicable to the requirements of particular customers are plainly set forth in the Company's published rate schedules. The choice of such rate lies with the customer." Original Sheet No. 4, our Residential Service Rate Sheet states, under availability of service, that it is available for "...service to residences, individual apartments..." At the time of construction of this apartment building the owner apparently exercised the option for single meter service. The primary reason for selection of single meter service would have been the substantial savings in wiring costs in not installing individual meter bases with individual main disconnects. This option also meant that the applicable rate was then and is now the General Service Rate.

Mr. McKeown still has the option of installing twelve meters, one for each individual apartment. In addition, he would probably need to retain the one commercial meter for outside lights, house lights, and heating and cooling equipment if this is central unit equipment. In this manner, his tenants would qualify for the residential rate. His letter indicates he is legitimately quite concerned about obtaining the lowest possible rate for his tenants. We share this concern.

255-1461

Mr. McKeown first called our office on Thursday, January 6, 1983 and talked to our Lexington District Billing Supervisor who discussed the application of residential and commercial rates with him and explained to him that since his apartment complex was not individually metered for each dwelling, it did not qualify for the Residential Service rate. In addition, our Customer Services Advisor talked to Mr. McKeown and sent him a rate analysis which indicated the cheapest applicable rate for him was the one he was being served on, that is, the General Service Rate.

We hope this supplies you with information necessary to respond to Mr. McKeown. If we can be of further assistance please let us know.

Sincerely,

Robert M. Hewett

Robert M. Hewett
Vice President
Rates and Contracts

RMH:lrp

RULES RELATING TO APPLICATION OF RESIDENTIAL RATE SCHEDULES

For Electric Service

1. Residential rates are based on service to single family units and are not applicable to multi-family dwellings served through a single meter. Where two or more families occupy a residential building the Company will require, as a condition precedent to the application of the residential rate, that the wiring in the building be so arranged as to permit each family to be served through a separate meter. In those cases where such segregation of wiring would involve undue expense to the Customer, the Company will allow service to two or more families to be taken through one meter; but in this event the energy blocks and minimum bills of the applicable residential rate shall be multiplied by the number of families thus served, such number of families to be determined on the basis of the number of kitchens in the building. At the Customer's option, in lieu of the foregoing, electric service rendered to a multi-family residential building through a single meter will be classified as commercial and billed on the basis of service to one Customer under a general service rate applicable.

2. Family unit service shall include usage of electric energy customarily incidental to home occupations, such as the office of a physician, surgeon, dentist, musician or artist when such occupation is carried on by the Customer in his residence.

3. A residential building used by a family as a home, which is also used to accommodate roomers or boarders for compensation, will be billed at the residential rate provided it does not exceed twelve rooms in size. Such a residential building of more than twelve rooms used to accommodate roomers or boarders for compensation will be classified as commercial and billed at commercial or general service rates. In determining the room rating of rooming and boarding houses all wired rooms shall be counted except hallways, vestibules, alcoves, closets, bathrooms, lavatories, garrets, attics, storage rooms, trunk rooms, basements, cellars, porches and private garages.

4. Service used in residential buildings occupied by fraternity or sorority organizations associated with educational institutions will be classified as residential and billed at the residential rate.

5. Where both residential and general or commercial classes of service are supplied through a single meter such combined service shall be classified as general and billed at the general service rate. The Customer may arrange his wiring so as to separate the general service from the residential service, in which event two meters will be installed by the Company and separate residential and general service rates applied to the respective classes of service.

6. If a farm Customer's barns, pumphouse or other outbuildings are located at such distance from his residence as to make it impracticable to supply service thereto through his residential meter, the separate meter required to measure service to such remotely located buildings will be considered a separate service contract and billed as a separate Customer on the applicable general service rate.

7. Single phase power service used for domestic purposes will be permitted under residential rates when measured through the residential meter to the extent and subject to the conditions set forth in Motor Rules and Regulations which are deemed imperative to avoid violent voltage fluctuation which would result in impairment of lighting service.

8. No three phase service will be rendered to residential Customers except under applicable rates facilities permitting.

CHECKED
Public Service Commission

JAN 28 1962

by *A. Richmond*
RATES AND TARIFFS

Date of Issue: January 15, 1958

Issued by
J. W. Bradley, Vice President
Lexington, Kentucky

Date Effective: January 15, 1958
Refiled: September 13, 1981

KENTUCKY UTILITIES COMPANY

(APPENDIX "D")

ONE QUALITY STREET
LEXINGTON, KENTUCKY 40507

OFFICE OF VICE PRESIDENT

March 28, 1983

Mr. Jack Fisher
Public Service Commission
730 Schenkel Lane
Frankfort, Kentucky 40602

RECEIVED

MAR 31 1983

Dear Mr. Fisher:

This will comply with your request that we reduce to writing information related to you by phone by Mr. Omer a few days ago concerning an inquiry you received from Mr. Brian H. McKeown. Mr. McKeown had previously written the Commission by letter dated January 3, 1983. We were asked to respond to the Commission concerning his letter, and did so by letter dated February 10, 1983.

On the Residential Schedule, RS-1, under Availability of Service you will find: Available -- to residences, individual apartments -- :. On Original Sheet No. 25 of our Tariff PSC No. 10 under METERING you will find the following statement; "When service is supplied by Company at more than one delivery point on the same premises each delivery point will be metered and billed seperately on the rate applicable."

Without repeating information already in the above referred to correspondence, Mr. McKeown made reference to paragraph 1 on Original Sheet No. 26 of our Tariff PSC No. 10. By this paragraph Mr. McKeown feels he is entitled to service to his twelve unit apartment building on the residential rate RS-1 through the one meter. At the outset this paragraph states "Residential rates are based on service to single family units and are not applicable to multi-family dwellings served through a single meter."

The initial reason for paragraph 1 on Sheet No. 26 is that a number of years ago (prior to 1958) some large old homes were converted into apartments. To rewire these old homes or to segregate the wiring so that individual meters could be used would be very difficult as well as expensive. These homes were initially built for a single family dwelling and were served through one meter. The Company made an exception to individual metering in these few instances. This was the intent and reason for this paragraph and this is the policy the Company has followed ever since. To the best of our knowledge, after a quick check with each division, the Company has never served a building initially constructed as an apartment through one meter and billed for service on the residential rate either in total or stepped the residential rate by the number of apartments.

As best we can determine, Mr. McKeown's apartment building was constructed in about 1973 by Malcom McGregor and Kenneth Neal. At that time, it was the Company's practice to advise the owner of a choice of one delivery point for electric service to be billed on the best applicable rate for commercial service or wire for individual meters for each apartment with service on the residential rate. In the latter case, if electric service would be needed for any common use of the building such as hall lighting, laundry room, central air conditioning or heating then an additional meter would be required for this use and that service would be billed on a commercial rate for that usage. Mr. McGregor and Mr. Neal were builders of homes and commercial buildings and knew of the metering options for the apartment building. They chose single point delivery.

Apparently, the building has changed hands several times since being constructed, at any rate, electric service has been in five different names.

It is the Company's position that the service to Mr. McKeown at his apartment building is being rendered and billed properly. If Mr. McKeown wishes to rewire his building and provide for metered service to each individual apartment to receive the residential rate and one metered service for electric use that is common for the building with service on the commercial rate, we will be glad to serve him in this manner.

In summary, the initial customer could have wired the apartment for one meter or individual meters. He chose one meter. Mr. McKeown has the choice of rewiring for individual metering. As explained above the intent, reason and use of paragraph 1 of Sheet 26 is very limited and, to our knowledge, has never been applied to a situation similar to Mr. McKeown's.

Sincerely,

Robert M Hewett

Robert M. Hewett
Vice President
Rates and Contracts

RMH:lrp

cc: S. A. Omer